



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ROCKCASTLE COUNTY CLERK**

Calendar Year 1998

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Buzz Carloftis, Rockcastle County Judge/Executive

Honorable Norma Houk, Rockcastle County Clerk

Members of the Rockcastle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Rockcastle County Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Buzz Carloftis, Rockcastle County Judge/Executive
Honorable Norma Houk, Rockcastle County Clerk
Members of the Rockcastle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated March 29, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

- We would like to commend the Rockcastle County Clerk, Norma Houk, for excellent accounting procedures and record keeping.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 29, 2000

ROCKCASTLE COUNTY
NORMA HOUK, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Fees For Services	\$	6,662	
Fiscal Court			18,145
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	318,658	
Usage Tax		528,008	
Tangible Personal Property Tax		592,933	
Licenses-			
Marriage		6,141	
Occupational		1,170	
Deed Transfer Tax		15,110	
Delinquent Tax		<u>110,041</u>	1,572,061
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	77,688	
Application for Title		2,116	
All Other Recordings		1,412	
Charges for Other Services-			
Candidate Filing Fees		2,660	
Copywork		<u>953</u>	84,829
Other:			
Notary Public Bonds	\$	568	
Postage		344	
Handicap Parking Permits		<u>2,126</u>	3,038
Interest Earned			<u>2,585</u>
Gross Receipts (Carried Forward)			\$ 1,687,320

ROCKCASTLE COUNTY
 NORMA HOUK, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Gross Receipts (Brought Forward) \$ 1,687,320

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 239,493	
Usage Tax	511,375	
Tangible Personal Property Tax	256,479	

Licenses-

Delinquent Tax	17,791	
Legal Process Tax	14,925	
Candidate Filing Fees	1,200	\$ 1,041,263

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 39,610	
Delinquent Tax	8,956	
Deed Transfer Tax	14,355	
Occupational Licenses	951	63,872

Payments to Other Districts:

Tangible Personal Property Tax	\$ 268,423	
Delinquent Tax	50,104	318,527

Payments to Sheriff 4,903

Payments to County Attorney 19,926

Operating Disbursements-

Personal Services-

Deputies Salaries	\$ 109,467
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Employee Benefits-

Employer's Share Social Security	11,844
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Contracted Services-

Printing and Binding	2,677
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Materials and Supplies-

Office Supplies	5,644
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ROCKCASTLE COUNTY
 NORMA HOUK, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Disbursements (Continued)

Operating Disbursements- (Continued)

Equipment Rental	\$	7,196	
Other Charges-			
Conventions and Travel		1,344	
Dues		2,292	
Postage		4,042	
Election Expenses		1,839	
Preparing Tax Reports		2,631	\$ 148,976
Total Disbursements			<u>\$ 1,597,467</u>
Net Receipts			\$ 89,853
Less: Statutory Maximum			<u>48,726</u>
Excess Fees			\$ 41,127
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 1998			\$ 37,527
Payments to County Treasurer - February 9, 1999	\$	20,000	
May 6, 1999		17,493	
May 19, 1999		34	<u>37,527</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The County Clerk met the requirements stated above, and as of April 6, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Lease

The office of the County Clerk is committed to a lease agreement with Xerox Corporation for a Copier. The agreement requires a monthly payment of \$292 for 14 months to be completed on February 2, 2000. The total balance of the agreement is \$4,088 as of December 31, 1998.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Buzz Carloftis, Rockcastle County Judge/Executive
Honorable Norma Houk, Rockcastle County Clerk
Members of the Rockcastle County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Rockcastle County Clerk as of December 31, 1998, and have issued our report thereon dated March 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Rockcastle County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rockcastle County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Buzz Carloftis, Rockcastle County Judge/Executive
Honorable Norma Houk, Rockcastle County Clerk
Members of the Rockcastle County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 29, 2000

